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20 JUL 1983

MEMORANDUM FOR: (See Addressee List)

FROM:

Director of Global Issues

SUBJECT:

Upgrading Soviet Model Weapons: A Growing Industry

1. The attached memorandum analyzes the scope and magnitude of Western and Third World efforts to maintain and upgrade Soviet model equipment in Third World and Chinese inventories. We believe this industry will grow in the next few years as Third World countries integrate Western and Soviet model aircraft, missiles, and armored vehicles into their arsenals. They will also update older Soviet model equipment rather than buying new Western weapons because of budgetary limitations.

2. This memorandum was prepared by Weapons Proliferation Branch, International Security Issues Division, Office of Global Issues.

3. Your comments and suggestions on this memorandum are welcome and may be addressed to the Chief, Weapons Proliferation Branch, OGI,

Attachment:

Upgrading Soviet Model Weapons: A Growing Industry

GI M 83-10176, July 1983

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Central Intelligence Agency



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

18 July 1983

Upgrading Communist Source Weapons: A Growing Industry []

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Summary

The maintenance and modification of Soviet-style weapons systems using Western technology is becoming commonplace in the international arms market. Countries such as Egypt, Iraq, Somalia, China, Libya, and Peru which have large inventories of Soviet model tanks, aircraft, and air defense systems and limited financial resources are increasingly turning to non-Communist defense industries for state-of-the-art electronics packages, propulsion systems, and structural modifications to extend the useful life of their inventories. We believe that the desire of arms purchasers to diversify arms procurement patterns, the relatively low cost of Soviet weapons, and the availability of Western technical upgrades should sustain the modification business for the foreseeable future. West European suppliers are already well into this market and Third World countries like Israel, Singapore, and Brazil are becoming active. While partially compensating many Western defense industries facing a general decline in sales of major weapons systems, this activity may lead to unauthorized technology transfers, particularly by Third World companies licensed to assemble Western armaments.

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This memorandum was prepared by [] International Security Issues Division, Office of Global Issues. This analysis is based on information as of 18 July 1983. Comments and queries are welcome and may be addressed to Chief, Weapons Proliferation Branch, OGI, []

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Compatability

Third World efforts to reduce their vulnerability to embargoes and political leverage through diversified buying patterns have also created a need for Western upgrades and modifications. Countries with both Western and Communist supplied aircraft have had to make modifications so that their communication and weapons systems are compatible. For example, [REDACTED]

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[REDACTED] Similarly, US companies have played an important role in manufacturing equipment for integrating Egypt's new F-16s into the MiG-dominated air force. [REDACTED]

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Suppliers

Major arms manufacturers in Western Europe have taken the lead in providing maintenance and modification services to Third World nations. These companies have extensive marketing organizations and experience in integrating propulsion, electronics, and armament packages into major weapons systems. Moreover, their governments have closer ties to some countries seeking this type of assistance--China, India, and Libya--than does the United States. Thus far, their approach to this particular market appears to be one of ad hoc responses to specific country requests. Based on Embassy reporting, however, we believe that some of these firms probably have conducted marketing studies to determine the aggregate size of the market and potential customers. [REDACTED]

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Third World arms industries are becoming more active in the ground forces sector of this market. Firms in Israel, Brazil, and Singapore have all had experience in either rebuilding Western armored vehicles or equipping locally designed vehicles with Western subsystems. [REDACTED]

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South Korea might also be in a position to provide Western upgrades for Soviet ground forces equipment in a few years. In our judgment, the maintenance and modernization market for Soviet equipment could provide a useful adjunct to their arms industry. To make use of this opportunity, however, South Korea would need to overcome the management, supply, and production problems it has encountered on upgrading its own aging M-48 tanks. [REDACTED] these problems have significantly delayed completion of the program. [REDACTED]

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[redacted]

We doubt that, with the exception of India and Israel, Third World arms manufacturers will become active in the maintenance and upgrade of Soviet-type aircraft in foreign inventories. India has produced MiG-21s under licensing agreements which have thus far precluded exporting spare parts. Moscow recently offered to ease this restriction in order to help service early model MiG-21s worldwide with parts it no longer produces and to offset new Indian purchases of Soviet equipment, [redacted]

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[redacted] Israel has manufactured avionics under license and indigenously which could equip Soviet type aircraft if customers can be found. Other Third World suppliers do not manufacture avionics or engines and have only a limited experience in assembling aircraft from kits. [redacted]

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Prospects

Continued economic constraints and diversified buying patterns will increase the demand for Western upgrades and modifications of Soviet type equipment in the next few years. In our judgment, many financially strapped countries will look to modernize and extend the life of their arsenals through upgrades rather than replacement. Syria, Iran, Iraq, China, India, and Libya remain the primary markets for this type of activity. Smaller markets exist in African countries like Zambia and Tanzania. We also believe that the diversified arms acquisition policies of countries like Iran, Algeria, Egypt, Pakistan, and Peru will require them to seek Western assistance in modifying Communist weapons in their inventories. [redacted]

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We believe growth in this market poses several opportunities and problems for the United States. Western provision of avionics packages, fire control systems, and other state-of-the-art upgrades present a low cost and low visibility means of improving security and political ties to former and existing Soviet clients in the Third World. [redacted]

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SUBJECT: Upgrading Soviet Model Weapons: A Growing Industry [REDACTED]

OGI/ISID/WP/[REDACTED] (18 July 83)

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